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# UNITED NATIONS POPULATION FUND

## Follow-up to the Report of the Board of Auditors for 1998-1999: Status of Implementation of Recommendations

1. Pursuant to decision 97/2 taken by the Executive Board at the first regular session of 1997, the Executive Director wishes to bring to the attention of the Executive Board a status report on follow-up measures to the recommendations contained in the report of the United Nations Board of Auditors on the United Nations Population Fund for the biennium ended 31 December 1999 (A/55/5/Add.7). The Auditors' review concerns the efficiency of financial procedures, internal financial controls and in general the management of UNFPA. The management issues examined by the Board of Auditors during 1998-1999 included project design and procurement.

2. The table below delineates the steps taken by the Executive Director to date to address the concerns and issues raised by the Board of Auditors in the recommendations for the 1998-1999 biennium (the paragraph references in the table pertain to document A/55/5/Add.7). The Executive Director has also addressed several of these issues in the annual report on internal audit and oversight activities (see DP/FPA/2000/13), submitted to the Executive Board at the annual session in June 2000.

Recommendation

3. The Executive Board may wish to take note of the progress report provided by the Executive Director on the measures that have been taken or are planned in implementing the recommendations of the Board of Auditors for the biennium 1998-1999, as contained in document DP/FPA/2001/2.

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**Follow-up to the Report of the United Nations Board of Auditors to the General Assembly on the Accounts of the United Nations Population Fund for the Biennium Ended 31 December 1999**

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| **Recommendations for the 1998-1999 biennium** | | |
| *1. Require field offices to prepare annual audit plans, identifying which projects will be subject to external audit and coordinate these plans at UNFPA headquarters to ensure that the organization has a sufficient level of coverage (para. 11c and para. 29).* | The Executive Board approved in January 2000 changes to UNFPA Financial Regulation 17.2, pertaining to the audit requirement of projects. The requirement for project audits was changed to be in line with UNDP practices from annual audits to at least once in the lifetime of the project. From now on each country office and, in the case of intercountry projects, concerned divisions at headquarters will prepare annual audit plans. The Chief, UNFPA Internal Audit Section, will monitor compliance with project audit requirements. | The Deputy Executive Director (Management) has requested the country offices and concerned headquarters divisions to prepare audit plans for the year 2001.<br><br>On the basis of clarifications provided by UNFPA, the Board of Auditors revised the summary recommendation in para. 11c. However, the recommendation in the main text in para. 29 remained unchanged. The Fund's response refers to the recommendation in para. 11c. |
| *2. Reserve for field accommodation. As the advance has remained outstanding for six years, the Board of Auditors recommends that UNFPA take action to bring the matter to a conclusion (para. 33).* | UNFPA is still awaiting information from UNDP on the Fund's correct share in the construction costs of common premises. In February 1999, UNFPA along with UNICEF and WFP wrote a joint letter to UNDP, based on the legal counsel of WFP, stating that the three agencies were not under any legal obligation to contribute to the financing of the cost overrun of the projects. UNFPA will again write formally to UNDP stating that it would like to receive information on the Fund's legitimate share of the costs to enable the Fund to close the accounts which continue to show $1 million paid to UNDP as an advance. The Fund | UNDP has advised UNFPA and United Nations Development Group partner agencies that it now has a legal opinion from the United Nations Office of Legal Affairs concerning liability under the construction project. Meetings will be held in the fourth quarter of 2000 to discuss this and, where appropriate, negotiate the amount deemed still due. |

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| | will explicitly state in its letter to UNDP that if it does not receive the requested information by 30 November 2000, it will request from UNDP a refund of $1 million paid in 1994. The organizational responsibilities for the reserve for field accommodation lie with the Director, Division of Management Services (DMS). | |
| *3. All quarterly requests from country offices for cash replenishment should be approved by the UNDP Director of Finance to ensure that country offices do not exceed their expenditure ceilings (para. 34).* | UNFPA concurs with the need to ensure greater financial discipline and will rigorously ensure that country offices do not exceed their expenditure ceilings. However, it should be pointed out that UNDP provides cash replenishment, on a reimbursable basis, for the country office operations of UNFPA. Currently, UNDP does not exercise any control on the overall level of UNFPA cash disbursement. The Director, DMS, will explore with the UNDP Director of Finance appropriate and efficient mechanisms to control the overall level of cash disbursements in the country offices. | Given the current modus operandi for cash disbursements, the recommendations of the auditors may not be the most efficient solution. A few other options will be examined with the UNDP Director of Finance to ensure expenditure control at country level. |
| *4. Monitor trust fund income and expenditure closely to ensure that expenditure is not obligated without having sufficient funds available (para. 35).* | UNFPA Representatives and the Directors of the concerned divisions at headquarters are responsible for ensuring that sufficient funds are available before incurring expenditures. To assist in this regard, DMS is developing a report that will compare income and allocations at the project level. The Resource Development Branch has also developed a monitoring matrix that will assist in the early identification of any potential sources of over-expenditures in trust funds. The new Resource Management System (RMS) will include additional safeguards to prevent disbursements when there are insufficient funds. DMS will further emphasize to all concerned parties the importance of ascertaining that there are sufficient funds before obligating any expenditure. All concerned staff will be held accountable. | DMS has reviewed the two cases referred to and would like to provide the following clarification. In one case, the negative balance was recorded due to miscoding, and corrective action has been taken. In the second case, the actual negative balance amounted to $7,618, and corrective action is being taken. |

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| *5. UNFPA should make use of its criteria for assessing technical and managerial capacity mandatory in selecting executing agencies; and require that project documents contain clear assessments of executing agencies' capacities and specifically address any identified weaknesses (para. 45).* | The criteria for assessing potential executing agencies are now part of the UNFPA Programme Manual. The criteria pertain to the potential executing agency's technical capacity, managerial capacity and comparative advantage. An assessment of potential executing agencies is conducted during the development of UNFPA-supported country programmes. Results of the assessment are part of the basis for defining the implementing and execution modalities for the country programme. An analysis of the adequacy and appropriateness of the execution modalities selected is an integral component of the annual country programme review and of the mid-term review of country programmes. In regard to regional and interregional projects, a preliminary assessment is made during the preparation of the intercountry programme. The UNFPA Representatives, the Directors of the geographic divisions and the Technical Support Division (TSD) are responsible for ensuring that the project documentation includes a clear assessment of the capacity of executing agencies and that any weaknesses are appropriately addressed. The Deputy Executive Director (Programme) will issue corresponding administrative instructions before the end of 2000. | Continuously. |
| *6. Strengthen the management and monitoring of UNFPA projects at the design phase by incorporating baseline information and qualitative and quantitative performance indicators (para. 51).* | UNFPA is committed to the use of performance indicators and baseline information. In this context, the Executive Board approved the UNFPA multi-year funding framework (MYFF) in April 2000. The MYFF is a coherent framework that builds on clearly defined organizational results and a set of indicators to track progress towards achieving those results. As requested, UNFPA will report annually to the Executive Board on the implementation of the MYFF. Tools will be developed to aid country office staff in programme management and monitoring. The first | The first MYFF annual report will be submitted to the Executive Board in June 2001. A MYFF situation analysis is underway in all country offices to ensure a correct mapping of the MYFF results framework. All new programmes starting in 2001 and onwards will be reviewed to ensure alignment with organizational results and performance indicators for programme management, including |

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| | batch of tools will be disseminated in late 2000. The dissemination of such tools will continue as part of a dynamic process to improve the quality of programmes and programme delivery. The results-based approach requires a rigorous application of the logical framework (logframe) approach in planning, monitoring and reporting results, using the indicators identified in the logframe matrix. The Deputy Executive Director (Programme) and the Chief of the Results-based Management Branch, will closely monitor the global implementation of the results-based approach, including the use of baseline information and performance indicators. | monitoring. |
| *7. The Board recommended and UNFPA agreed that it should establish a management information system for controlling advances to projects (para. 55).* | Strict requirements regarding the conditions for paying and controlling advances are set forth in the UNFPA Finance Manual. UNFPA Representatives and programme managers at headquarters are responsible for ensuring that these procedures are implemented. The Finance Branch will regularly provide the Fund's Executive Committee with a list of offices deficient in compliance with UNFPA financial regulations, rules and procedures in regard to the timely receipt of disbursement reports and the overadvancing of funds. Appropriate action will be taken based on the Executive Director's memorandum dated 29 January 1999, on personal accountability. DMS has already introduced a warning message in the United Nations Field Office System (UNIFOS) which signals when the advance exceeds the quarterly limit for a project based on the current allocation. | Continuously. |

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| 8. *The Board of Auditors recommended and UNFPA agreed that UNFPA should not make advances before all parties have signed the project documents (para. 57).* | UNFPA Representatives and the Directors of the concerned divisions at headquarters are responsible for ensuring that no disbursements and no financial commitments are made before all parties have signed the project documents. UNFPA will strictly enforce the accountability rule 103.2 which states that all officials of the UNFPA are responsible for the regularity of actions taken by them in the course of their official duties. Any staff member who acts in violation of the Fund's procedures will be held personally responsible. | Continuously. |
| 9. *Ensure that in all cases executing agencies submit final project reports or suitable alternatives (para. 59).* | UNFPA programme guidelines require that executing agencies submit a final project report. UNFPA is committed to strictly enforcing this requirement. UNFPA Representatives and the Directors of the concerned divisions at headquarters are responsible for ensuring that executing agencies comply with all reporting requirements. | Continuously. |
| *10. The Board of Auditors recommended and UNFPA agreed that UNFPA should require headquarters units and country offices to provide the headquarters Procurement Unit with detailed annual procurement plans (para. 64).* | A circular was issued in October 2000 by the Deputy Executive Director (Management) instructing that such plans be prepared for 2001. The Director, DMS, and the Senior Procurement Officer will monitor compliance. | Continuously. |
| *11. Require divisional directors and chiefs of offices to confirm that substantial procurement is routed through the Procurement Unit, before certifying procurement requests (para. 70 and para. 11h).* | DMS will issue corresponding administrative instructions in the last quarter of 2000. With the implementation of this recommendation, chiefs of organizational units are personally accountable for channelling all procurement requests through the Procurement Unit. Non-compliance will be part of the individual officer's performance assessment and, if necessary, action will be taken to enforce accountability. | The monitoring of the implementation of the recommendation will be continuous.<br><br>On the basis of clarifications provided by UNFPA, the Board of Auditors revised the summary recommendation in para. 11h. However, the recommendation in the main text in para. 70 remained unchanged. The Fund's response refers to the recommendation in para. 11h. |

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| *12. The Board of Auditors recommended and UNFPA agreed that UNFPA should develop a process for formally recording and monitoring suppliers' performance (para. 74).* | The reason that such a system has not as yet been put in place is that the Inter-Agency Procurement Working Group is in the process of developing a common system for use by all United Nations organizations. Meanwhile, in light of the comments of the Board of Auditors, the Procurement Unit has developed and is utilizing an interim monitoring system. | The common system is expected to be operational in 2001. |
| *13. Remind all country offices of the need to submit receipt and inspection reports within three weeks of delivery for all goods procured by headquarters (para. 79).* | Country offices were last reminded of this on 22 November 1999. The Senior Procurement Officer will closely monitor compliance and take any follow-up actions required. | Continuously. |
| *14. Remind country offices of the need to include construction contracts in the procurement statistics that they submit to headquarters (para. 81).* | UNFPA concurs with this recommendation and has implemented it. The 1999 procurement statistics include construction contracts. | Continuously. |
| 15. *The Board of Auditors recommended that UNFPA make every effort to recover the overpayment of up to $1.8 million from the contractors once its final value has been verified (para. 91).* | The actual amount of overpayment is still to be verified. To accomplish this UNFPA has contracted independent consultants to quantify the total amount involved. This assessment will be completed by December 2000. Based on the advice of its legal adviser, UNFPA will make every effort to recover funds from the concerned parties when the amount is established. Meanwhile, it continues to pursue due process in disciplinary proceedings against the involved staff. | Given the complexity of the issue, UNFPA expects the case to be closed in 2001. |



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| **Follow-up action to implement outstanding recommendations from the biennium ended 31 December 1997** | | |
| *16. Show the value of contributions in kind in a note to the financial statements.* | The Chief of the Finance Branch is examining the requirements for collecting information on contributions-in-kind, assigning a value to such contributions and reporting on this information. | UNFPA had intended to disclose the information in a note to the financial statements for the 1998-1999 biennium but data collection proved to be more complex than expected. The Chief of the Finance Branch plans to disclose the information for the 2000-2001 biennium. |

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